

Message Text

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TO USDOC WASHDC

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AMEMBASSY BEIRUT

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BEIRUT FOR RTDO

E.O. 11652: N/A

TAGS: BMEP, BEXP, EIND, ETRD: KU

SUBJ: KUWAIT STEEL MILL - INFIGHTING CONTINUES

REF: A) STATE 09706 B) KUWAIT 4473

SUMMARY: IN HEATED WRANGLING OVER REJECTION KLOCKNER'S EQUITY PROPOSAL, COMMITTEE CHAIRMAN WAS REPLACED. MEANWHILE, COMMITTEE HAS INCORPORATED ITSELF AND TURN-KEY TENDER BY LATE SPRING IS POSSIBLE. SEVERAL FOREIGN FIRMS KNOWN TO BE ACTIVE AND INTERESTED US FIRMS SHOULD PLAN VISITS TO KUWAIT. WE EXPECT SELECTION PROCESS WILL BE A COMPLICATED AND TRICKY BUSINESS FOR ALL CONCERNED. END SUMMARY.

1. EMBOFF TOLD DEBATE WHETHER TO ACCEPT GERMAN FIRM KLOCKNER AS PARTNER WAS EXTREMELY HEATED AND DECISION TO REJECT THEIR EQUITY PROPOSAL WAS LARGELY BECAUSE PRIVATE INVESTORS COMPOSING STEEL COMMITTEE WANTED EQUAL CHANCE TO REPRESENT FIRMS COMPETING FOR EVENTUAL CONSTRUCTION CONTRACT. THEY FEARED THOSE WITH CLOSE TIES TO KLOCKNER WOULD HAVE INSIDE TRACK ON FINAL TENDER AWARD.

2. CASUALTY OF INFIGHTING WAS COMMITTEE CHAIRMAN, ALI
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AL-GHANEM (NATIONAL ASSEMBLY DEPUTY AND PROMINENT

BUSINESSMAN), WHO REPLACED BY ANOTHER COMMITTEE MEMBER, YACoub QATAMI, OWNER LOCAL PREFAB HOUSING FACTORY (WTDR UNDER PREPARATION).

3. MEANWHILE, COMMITTEE HAS INCORPORATED ITSELF UNDER NAME KUWAIT IRON AND STEEL CO., AND ALL FUTURE CORRESPONDENCE WITH THEM SHOULD BE ADDRESSED AS SUCH, P.O. BOX 4586 (SAME AS BEFORE), KUWAIT; CABLE: SULB; TELEX: 2307. HUSSAIN AL-JASSEM IS COMPANY'S GENERAL MANAGER.

4. EMBASSY HAS ALSO HEARD CONSTRUCTION CONTRACT MAY BE TENDERED AS EARLY AS MAY 74, ALTHOUGH WE HAVE OUR DOUBTS GOK/INVESTORS CAN MOVE THIS QUICKLY. EUROPEAN AND JAPANESE COMPANIES ARE ALREADY ACTIVE. EUROPEAN COMPANY REPRESENTING "PUREFER" DIRECT REDUCTION PROCESS WAS IN TOWN LAST WEEK. IN VIEW OF STRONG COMPETITION EMBASSY WELCOMES VISITS, BY ROBERT SABA AND OTHERS.

5. REQUEST: MEPD CONTACT COMPANIES MENTIONED REF A PLUS JONES AND LAUGHLIN, MEEHANITE STEEL CORP., AND FERGUSON STEEL AND INFORM THEM OF INFO CONTAINED IN PRECEDING PARAS.

6. FYI: MANY PROMINENT GOK OFFICIALS AND PRIVATE FOUNDERS CONNECTED WITH PROJECT CONTINUE MANOEUVERING TO GET REPRESENTATION RIGHTS FOR LOCAL COMPANIES IN WHICH THEY OR FRIENDS HAVE OWNERSHIP, AND WE EXPECT SELECTION OF "RIGHT" AGENT BE DIFFICULT AS SHOWN BY ALGHANIM'S OUSTER. IN ANY CASE CONTINUE TO BELIEVE THAT HYL PROCESS ENJOYS INSIDE TRACK AS KORFF ENGINEERS, OWNERS MIDREX PROCESS, FACE POSSIBLE BOYCOTT ACTION MAKING KUWAITIS EXTREMELY NERVOUS ABOUT DEALING WITH THEM. END FYI.
STOLTZFUS

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